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SUBJECT: BELARUS: BANKING SECTOR OPEN FOR INVESTMENT

¶1. (U) According to various news agencies in Georgia and Belarus, Georgia's largest private bank "Bank of Georgia" announced May 13 that it had signed an agreement to purchase a 70 percent stake in the private Belarusian Popular Bank. Reportedly, the USD 34.2 million deal also allows the purchase of the remaining 30 percent of shares over the next three years. Under the agreement, the Belarusian bank will continue operations under its own name, though it will be controlled by its main shareholder.

¶2. (U) Belarus' government pursues a generally selective and inconsistent foreign investment policy. The country's banking sector, however, is ostensibly more open and conducive to such investments. Belarus National Bank Pyotr Prokopovich told a news conference May 15 that his office would not hesitate to remove 25 percent limit on a foreign share in the aggregate charter fund of the country's banking sector if and when necessary. As of May 1, the share was 14.7 percent as compared to 9.8 percent on January 1.

¶3. (U) Prokopovich also advised that Germany's Commerzbank is interested in purchasing a controlling stock in one of Belarus' largest banks Belinvestbank. The deal, which may be finalized later this year, is contingent upon a five-fold increase in the bank's assets to Euro 5 billion by 2010. A few other biggest Belarusian banks are currently negotiating sales of some of their stocks to the unnamed world's largest banks. Some of Russia's major banks have purchased and currently negotiate purchases of big Belarusian banks.

Comment

¶4. (SBU) Post approached its major economic contacts for a comment on the current banking investment policies. The general opinion is that the banking sector is somewhat more open than the rest of the economy. GOB policies reflect a thirst for USD 50 million loans and above to finance major projects, as the country's banks are not well-resourced enough to afford that. Secondly, Lukashenko seems to be less nervous about the privatization of banks than about the privatization of industry and agriculture. Finally, our sources believe that the GOB and the National Bank are harbor at least some progressive-minded people who support reform of Belarus' command-style economy.

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